

# California Energy Commission's Quarterly Report Regarding the Renewables Funding Program

(July 1 – September 30, 1999)

The California Energy Commission (Commission) is pleased to submit its Quarterly Report on the Renewables Funding Program covering the period July 1 through September 30, 1999<sup>1</sup>. The report describes the Commission's implementation activities, including information regarding awards submitted to the State Controller<sup>2</sup> for payment, the cumulative commitment of claims by account, the relative demand for funds by account, a forecast of future awards, and related matters.

## Background

Assembly Bill 1890 ([AB 1890] Chp. 854, Stats. 96) required California's three major investor-owned utilities to collect **\$540 million** from their ratepayers over a four-year period (1998-2002) to help support renewable electricity-generation technologies and the development of a renewable market. As AB 1890 required, the Commission submitted its ***Policy Report on AB 1890 Renewables Funding (Policy Report)*** to the Legislature in March 1997, with recommendations for allocating and distributing these funds. Senate Bill 90 ([SB 90] Chp. 905, Stats. 97) subsequently established a Renewable Resources Trust Fund, placed the \$540 million into the fund, and directed the Commission on how to distribute the fund through four distinct accounts consistent with the ***Policy Report***. These accounts and the total funds allocated to each are:

- Existing Renewable Resources Account (**\$243 million**)
- New Renewable Resources Account (**\$162 million**)
- Emerging Renewable Resources Account (**\$54 million**)
- Customer-Side Renewable Resources Purchases Account:
  - Customer Credit Subaccount (**\$75.6 million**)
  - Consumer Education Subaccount (**\$5.4 million**)

In January 1998, consistent with SB 90, the Commission adopted overall funding guidelines, eligibility requirements, yearly allocations, and account-specific guidelines to assist participants in applying for funding from the various accounts within the Renewables Funding Program.

## Renewables Funding Program Implementation

The mechanisms for distributing funds vary by account, as do the implementation activities for each account. Table I highlights the Commission's implementation activities for the third quarter of 1999 and describes the expected funding and implementation activities for the fourth quarter.

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<sup>1</sup> Public Utilities Code (PUC), Article 5, Section 445(g) requires the Commission to report to the Legislature quarterly on fiscal and programmatic aspects of the program.

<sup>2</sup> As a procedural matter, the Commission submits awards directly to the State Controller for payment, rather than through the Treasurer. This procedure significantly streamlines the award-payment process for all participants.

**Table I**  
**Renewables Funding Program:**  
**Third Quarter 1999 Program Implementation**

<b>Account, Program-Implementation and Funding Activities:</b> <b>July – September 1999</b>	<b>Expected Funding and Implementation Activities:</b> <b>October – December 1999</b>
<b>Existing Resources Account</b>	
<ul style="list-style-type: none"> <li>• A total of 343 facilities registered as renewable suppliers and 246 facilities are eligible for funding.</li> <li>• Tier 1 (biomass, solar/thermal, and waste tire) paid 1.39 – 1.5 cents/kWh on 832 million kWh for May, June and July.</li> <li>• Tier 2 (wind) paid from 0.39 – 1.0 cents/kWh on 1.075 billion kWh for May, June and July.</li> <li>• Tier 3 (geothermal, digester and landfill gas, small hydro, and municipal solid waste) paid 0.0 – 0.7 cents/kWh on 2.458 billion kWh for May, June and July.</li> <li>• Payments totaling \$22,836,386 made this quarter.</li> <li>• Rollover of \$12.8 million as of September 30 for Tiers 1 and 2. There is no rollover for Tier 3.</li> </ul>	<ul style="list-style-type: none"> <li>• Payments for August, September, and October generation are scheduled for October 31, November 30 and January 2, 2000, respectively.</li> <li>• Estimated fourth quarter 1999 payments (August, September, October): \$19.5 million.</li> </ul>
<b>New Resources Account</b>	
<ul style="list-style-type: none"> <li>• Eight projects are on-line and producing energy.</li> <li>• Payments totaling \$415,065 were made to six on-line facilities for 35,923,380 kWh of new renewable generation.</li> </ul>	<ul style="list-style-type: none"> <li>• Payments are expected to begin for an on-line wind project in the Palm Springs area, and a landfill gas project in West Covina.</li> <li>( Construction of projects will continue, as will payments to on-line projects.</li> </ul>
<b>Emerging Resources Account</b>	
<ul style="list-style-type: none"> <li>• Approved buydown-reservation requests totaling \$10.1 million since program began March 20, 1998.</li> <li>• Payments for installed systems totaling \$3,068,804 million as of September 30.</li> <li>• Received 63 new reservation requests this quarter, representing about \$1.6 million in encumbrances.</li> </ul>	<ul style="list-style-type: none"> <li>• Final report on the On-Site Verification Program expected in October.</li> <li>• Market research report due by the beginning of October.</li> </ul>
<b>Customer Resources Account</b>	
<b>Customer Credit Subaccount</b>	
<ul style="list-style-type: none"> <li>• Twenty-one active marketers are registered as renewable providers, offering a total of 36 products containing renewable energy.</li> <li>• Five new providers and one wholesaler registered this quarter.</li> <li>• Payments totaling \$11,913,907 made to renewable providers as of September 30.</li> </ul>	<ul style="list-style-type: none"> <li>• More payments will be made as providers continue to submit invoices for funding.</li> <li>• The market will continue to be dynamic, as renewable providers and products are added and dropped.</li> <li>• The credit level may be lowered at the end of 1999.</li> </ul>
<b>Consumer Education Subaccount</b>	
<ul style="list-style-type: none"> <li>• Implementation of <i>Renewable Energy Consumer Education (RECE) Marketing Plan</i> continues.</li> <li>• Community outreach and consumer education activities continued throughout California, targeting Oakland.</li> </ul>	<ul style="list-style-type: none"> <li>• Community outreach and consumer education activities will expand to targeted communities throughout California.</li> <li>• Market research will be conducted on emerging renewable energy technologies.</li> </ul>

## Renewable Resources Trust Fund Expenditures

Total funds *received* through September 30, 1999 amount to \$189.2 million for all four accounts. Total funds *awarded* as of the third quarter of 1999 amount to \$118 million, reflecting payments (disbursements) from all of the accounts. Total funds *reserved* amount to \$54.3 million, reflecting fund reservations (encumbrances) from the New Resources Account, the Emerging Resources Account and the Consumer Education Subaccount. Table II shows a financial summary of the Renewable Resources Trust Fund as of the third quarter 1999.

**Table II**  
**Renewable Resources Trust Fund**  
**Current Funding and Expenditures for the Quarter Ending September 30, 1999**  
**(\$ millions)**

	Existing Resources Account	New Resources Account <sup>3</sup>	Emerging Resources Account	Customer Resources Account		Program Total <sup>4</sup>
				Customer Credit	Consumer Education	
<b>Available Funds</b>	108.776	46.215	16.699	15.869	1.603	189.168
<b>Disbursements</b>	(102.695)	(0.415)	(3.069)	(11.914)	(0.050)	(118.145)
<b>Current Balance</b>	6.081	45.798	13.630	3.955	1.553	71.023
<b>Encumbrances</b>	0.000	(45.798)	(7.017) <sup>5</sup>	0.000	(1.451)	(54.266)
<b>Unexpended Funds</b>	6.081	0.000	6.613	3.955	0.102	16.757

The three investor-owned utilities continue deposits into the Fund with payments current to September 30, 1999. The program design has a built-in, two-month processing period for payments to eligible energy in several accounts.

As Table II reflects, payments were made from the Existing Resources Account for electricity produced through July 1999, payments were made from the Customer Credit Subaccount to providers of renewable energy, and claims were paid to systems through the Buydown Program in the Emerging Resources Account. The first payments were made this quarter from the New Resources Account to six of the eight projects that are now on-line and generating renewable energy, and from the Consumer Education Subaccount for initial implementation activities of the *Renewable Energy Consumer Education (RECE) Marketing Plan*. Encumbrances (reservations) were made from the Emerging Resources Account for systems participating in the Buydown Program, the Consumer Education Subaccount for continued *Marketing Plan* activities, and from the New Resources Account for its 54 continuing projects. Funding to these projects will eventually total \$162 million; funds from the New Resources Account will continue to be reserved as they become available.

<sup>3</sup> The Commission conditionally allocated \$162 million at its June 5, 1998 auction for future incentive payments. Funds are encumbered for projects as they become available.

<sup>4</sup> Program totals include \$6,366 in voluntary contributions.

<sup>5</sup> Reservation requests granted (but not yet paid) since the March 20, 1998 start-up of the Buydown Program.

## **Existing Resources Account**

In the second quarter of 1999, 700 megawatts (MW) of additional capacity was added to Tier 3 of the Existing Resources Account by the Calpine Corporation, which completed the purchase of PG&E's Geysers geothermal facilities in May 1999. However, a recent order by the Federal Energy Regulatory Commission denied Qualifying Facility (QF) recertification to six of the 11 Geysers facilities. As a result of the order, the six facilities, which represent 393 MW of capacity, are ineligible for funding. Payments of approximately \$300,000 were made to three of these facilities, and will be credited back to Tier 3 early in the fourth quarter.

To date, the Existing Resources Account has made payments totaling about \$102.7 million to qualifying existing renewable energy facilities. The halfway mark for the Existing Resources Account's program is approaching, and commensurately, almost half of the account's funds have been paid out. Applications for funding from the account continue to be submitted to the Commission, indicating that there are still more eligible renewable generators interested in participating in the program.

## **New Resources Account**

All 55 winners in the June 1998 auction for incentive payments for new renewable energy projects have passed Milestone 1, which is Commission approval of a Project Award Package. To date, 41 project developers have also passed Milestone 2, which requires filing for all the necessary permits to begin constructing the project. To help guarantee serious projects, bidders in the auction were required to submit a bid bond equal to 10 percent of their conditional funding award. Once a project passes Milestone 2, the entire bid bond is returned.

Eight projects are on-line, six of which began receiving payments this quarter. Five landfill gas projects totaling over 17 MW of capacity received \$379,400 in payments for more than 31 million kilowatt hours (kWh) of renewable generation. A sixth landfill gas project is eligible for payments, but has been unable to substantiate its generation due to metering difficulties. A 2.1 MW wind project, although eligible for payments, has not yet submitted any invoices due to a change in project ownership and the resulting administrative requirements. Payments to both facilities are expected to begin next quarter. A 16.5 MW wind project received payments totaling \$35,665 this quarter for almost 5 million kWh of renewable generation.

One of the auction winners, El Dorado County, has notified the Commission of its decision not to develop its 1 MW landfill gas project. The project received a conditional funding award of over \$450,049 for a projected 34 million kWh of renewable generation. However, due to opposition by a local citizen and the resultant mounting legal expenses, the county decided that it was no longer economically viable to continue with the project. This is the first project to withdraw from participating in the New Resources Account. The funding allocated to this project will be credited back to the Renewable Resources Trust Fund, and the Commission will examine options for reallocating the funding.

## **Emerging Resources Account**

The Buydown Program has received 449 reservation requests since it began on March 20, 1998, representing approximately \$10.1 million in encumbrances. This includes 63 new reservation requests in the third quarter of 1999. Since the inception of the Buydown Program, about \$2.4 million in reservations have expired or were cancelled by the requestor. Most of these expirations and cancellations were for medium and large projects over 10 kilowatts. To date, approximately \$3.1 million in payments have been made to completed projects.

Other Emerging Resources Account activities during the third quarter include a draft market research report on emerging renewable energy technologies, which is scheduled to be completed by the beginning of October. It will include the results of the residential and small commercial customer surveys completed in June and July. The surveys were designed to determine awareness of the different renewable technologies, the Buydown Program, and other related matters.

The initial report on the On-Site Verification Program was completed this quarter. The On-Site Verification Program is designed to gather information about the systems participating in the Buydown Program, and the report was based on a review of 55 completed systems. The report found that all of the reviewed systems were installed in accordance with Buydown Program requirements. The final report on the On-Site Verification Program is expected in October.

## **Customer Credit Subaccount**

The market remained active in the third quarter of 1999 as four new providers and one new wholesaler chose to register with the Customer Credit Subaccount. To date, a total of 21 providers have registered 36 renewable energy products with the Commission.

Distributions from the Customer Credit Subaccount total about \$11.9 million as of September 30, 1999. In the third quarter of 1999, providers received payments totaling \$4.79 million. About \$1.34 million is currently being held as "credit banked," and is included in the total calculation of funds distributed.

The Commission is considering lowering the credit level, the cents per kilowatt hour rebate that is the basis for payments from the Customer Credit Subaccount, to accommodate new market growth. Since the market's inception in April 1998, the credit level has been set at the program's maximum amount of 1.5 cents in order to encourage development of the market. However, staff analysis shows that the monthly demand for account funds is exceeding monthly fund allocations, indicating that the credit level may need to be lowered. The Renewables Program Committee held a workshop on September 23 to discuss this issue and other topics concerning implementation of the Customer Credit Subaccount.

## **Consumer Education Subaccount**

In coordination with the Commission, the Renewable Energy Marketing Board continues to implement the “green energy” portion of the *Renewable Energy Consumer Education (RECE) Marketing Plan*. Building on the model used for the initial campaign pilot in Santa Monica, consumer activities are being planned for Oakland, including the airing of 30-second cable television spots, a town hall meeting, and targeted direct mail. The Oakland awareness campaign will be coordinated with the efforts of green power marketers.

In collaboration with KVIE Channel 6, Sacramento Municipal Utility District (SMUD), and the County of Sacramento, Consumer Education staff is developing a series of vignettes to be aired on public television. The vignettes, which are scheduled to begin airing in mid October, are designed to raise awareness about green energy.

On September 9, *Buying a Photovoltaic Solar Electric System: A Consumer Guide*, was released to the public. The guide, which was a collaborative effort by Consumer Education and Emerging Resources Account staff, outlines basic technical, economic and regulatory information about photovoltaic (PV) systems. It also describes how to take advantage of financial rebates offered through the Emerging Resources Account Buydown Program.

In summary, the Commission continues to make excellent progress in implementing the Renewables Funding Program. We expect program disbursements of the Renewable Resource Trust Fund to increase in the fourth quarter of 1999.